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The
AAA Notebook

Northeast Edition

AGRICULTURAL ADJUSTMENT ADMINISTRATION

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United States
Department of Agriculture
Washington, D. C.

THE AAA NOTEBOOK

NORTHEAST EDITION

This book makes available to AAA field workers in a brief and concise form information concerning the farm problem and the provisions of the AAA program.

As new and additional information is compiled, supplemental pages will be provided for this loose-leaf binder. You may insert additional pages for personal notations.

References are listed on most pages to assist you in obtaining other information on the subject by means of leaflets or other publications generally available either at your AAA office or from the Department of Agriculture.

Abbreviations used in listing of references or sources include "*BAE*" for Bureau of Agricultural Economics; "*Secretary's Report*" for "Report of the Secretary of Agriculture," 1938 Edition; "*ACP–1939*" for the Agricultural Conservation Program Bulletin for 1939; "*ACP–1940*" for the Agricultural Conservation Program Bulletin for 1940; and the "*AA Act*" for the Agricultural Adjustment Act of 1938.

The pages in the AAA Notebook are grouped according to general subject-matter. Pages within each group are numbered consecutively.

AGRICULTURAL ADJUSTMENT ADMINISTRATION

UNITED STATES

DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.

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NORTHEAST EDITION

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PURPOSE OF THE AAA FARM PROGRAM

Conservation of the Nation's soil resources is the first purpose of the AAA farm program. The 1938 Farm Act seeks:

1. To prevent waste of soil fertility.

2. To provide for an orderly, adequate, and balanced flow of farm products in interstate and foreign commerce.

3. To help farmers obtain their fair share of national income.

4. To help consumers obtain an adequate and steady supply of foods and fiber at fair prices.

SOIL WASTE

Overproduction is one of the largest causes of soil destruction. It wastes soil through unused harvests and through needless exposure to erosion. The AAA emphasizes means for avoiding it.

BALANCED PRODUCTION

Balanced production and guaranteed supplies through the Ever-Normal Granary are direct steps in soil conservation. A farmer who grows more soil-depleting crops than he can sell at a fair price robs himself of his capital; he wastes his soil fertility and his labor.

Ref.: AA Act; Secretary's Report.

EVER-NORMAL GRANARY MEANS STABILITY

The Ever-Normal Granary of the AAA Farm Program aims at continuous and permanent abundance.

RESERVE IN GRANARY

(1) The provisions call for yearly supplies of wheat, cotton, corn, tobacco, and rice, large enough for domestic and export requirements and for normal carry-overs.

RESERVE IN SOIL

(2) Shifts to soil-conserving crops mean a potential production reserve for emergencies—an Ever-Normal Granary of soil fertility.

RESERVE AGAINST FAILURE

(3) Crop insurance for wheat protects farmers against crop failure and protects consumers against exorbitant prices.

PROTECTION FOR CONSUMER

(4) The general public is protected against artificial as well as actual shortages. Marketing quotas can be proclaimed only when supplies are large, and commodity loans will be available only when accumulating stocks threaten price collapse. The Granary cannot be used to take unfair advantage of consumers.

The Ever-Normal Granary means orderly marketing of an abundant production at prices fair to both farmers and city buyers.

Ref.: AA Act; G-93.

AAA—THE FARMER'S OWN PROGRAM

The AAA farm program provides varied means by which farmers can meet local and national problems as they arise. It is many-sided in its approach to a solution of problems of production, distribution, and farm income.

General use of the AAA farm program by cooperating farmers will make possible the achievement of the goals expressed in the Act which is designed to benefit agriculture and advance the welfare of the Nation.

FEATURES OF THE FARM PROGRAM

Soil-building practices.—To improve soil fertility, improve the physical structure of the land, and to prevent erosion.

Acreage adjustment.—To conserve the soil by avoiding wasteful overproduction and bring a better balance between supplies and markets.

Crop insurance.—To guarantee farmers wheat to sell every year.

Storage loans.—To permit systematic storage of food and fiber surpluses from big crop years, and to protect the value of commodities against sudden price declines by giving farmers opportunity to market their commodity in a more orderly manner.

Surplus buying.—To increase domestic consumption by distributing surpluses to the needy, as through the Stamp Plan.

Export sales.—To keep for the United States its fair share of the world market.

Marketing quotas.—To hold surpluses from the market until needed, when a two-thirds majority of growers approve.

Marketing agreements.—To afford farmers a means of marketing such products as milk, fruit, and vegetables in a more orderly and profitable manner.

Research.—To develop new and expanded industrial uses for farm products through research in four regional laboratories.

OVER-PRODUCTION WASTES FERTILITY

The AAA program aims at conservation in two ways:

(1) Through soil-building practices which return fertility already used and which prevent soil erosion.

(2) By adjusting soil-depleting crops to requirements in order to prevent wasting fertility by producing surpluses nobody wants.

ALLOTMENTS MEAN CONSERVATION

The adjustments are made through acreage allotments. A total national soil-depleting acreage allotment is established large enough to produce all the soil-depleting crops needed for domestic consumption, exports, and a safe reserve.

One part of this total allotment is the "general acreage allotment" for general crops, such as oats, barley, rye, etc. (in area A).

PROVISIONS FOR SPECIAL CROPS

Another part is made up of the acreage allotments for special crops, such as wheat, corn, etc. These special allotments are the acreages estimated as needed to produce enough of the crops for domestic needs, exports, and a safe reserve.

Compliance with acreage allotments is voluntary.

Ref.: AA Act; G-83; G-93.

HOW ALLOTMENTS ARE ESTABLISHED

The NATIONAL acreage allotment for any crop is established by the Secretary on the basis of prospective needs for domestic consumption, exports, and reserves during the coming year. That is, the total production needed in bushels or pounds is divided by average yields to obtain the national allotment in acres.

STATE AND COUNTY

This allotment is then divided among the STATES and COUNTIES on the basis of previous acreage planted to that crop in that State or county, with adjustments made for abnormal weather conditions, trends, and for participation in previous AAA programs. Thus each State and county gets its fair share of the national allotment.

FARM

County allotments for wheat and corn are apportioned to individual FARMS on the basis of tillable acres, crop rotation practices, type of soil, and topography. Thus the share of the national allotment each farm receives takes into account the amount it has been producing in the past as well as the amount that it should supply if operated on a sound, soil-conserving basis.

Ref.: AA Act; G–83; ACP–1939.

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COMMERCIAL AREAS

"Commercial Area" or "Commercial County" designations are made in the AAA program in order to confine the operations of special-crop provisions to areas that will help promote the program's objectives.

MINOR AREAS OMITTED

The commercial-area provisions make it unnecessary to administer the program for a special crop where the crop is secondary and unimportant.

Areas which normally produce a commodity on a commercial basis which may contribute to a surplus problem for that commodity may be designated a "commercial area."

FOUR TYPES

The four special soil-depleting area designations in the 1940 program are those for corn, peanuts, potatoes, and vegetables.

The commercial area provisions, which include the establishment of an acreage allotment, are intended to stabilize acreages of crops.

TWO PAYMENTS

Producers in the designated areas who do not exceed their acreage allotments for the special crops and who fulfill other soil conservation requirements will receive conservation payments on the normal yields of their allotments and price adjustment payments on wheat, cotton, corn, and rice, where special acreage allotments apply for those crops.

Ref.: ACP–1940.

CROP INSURANCE PART OF EVER-NORMAL GRANARY

Crop insurance for wheat guarantees participating farmers some wheat to sell every year, regardless of unavoidable crop losses.

GROUP CARRIES LOSSES

Through this program, the wheat industry as a whole rather than the individual grower carries the burden of crop losses.

Wheat farmers may insure either one-half or three-fourths of their average yield of wheat.

PREMIUMS IN WHEAT

Premiums are in terms of bushels of wheat per acre, and are carried by the Federal Crop Insurance Corporation in actual wheat in storage.

The wheat in reserve is for only one purpose: to pay crop losses of insured farmers. The reserve cannot be reduced except to pay losses. It is outside of marketing channels and cannot be used for price manipulation.

EVER-NORMAL GRANARY

This reserve acts as a vital part of the Ever-Normal Granary in maintaining a more stable supply of wheat. Because of this service in the public interest, the Government pays administrative and storage costs.

PARTICIPATION IN 1939 AND 1940

Policies were issued in the first year to some 166,000 wheat growers in 32 States, insuring production of about 61 million bushels or more than 7½ million acres of wheat land. As of December 31, 1939, payments equivalent to the value of about 10 million bushels had been made on 52,000 claims of loss, chiefly in the winter wheat belt.

As of December 31, 1939, over 317,000 wheat growers had paid premiums to insure crops to be harvested in 1940. These premiums, amounting to the equivalent of 11½ million bushels, covered over 9 million acres and insured a production of about 89 million bushels.

PARITY—PRICE AND INCOME

Price adjustment or "parity" payments are made directly to producers of corn, wheat, cotton, rice, or tobacco in order to give them more nearly a fair share of the national income and to bring farm income and purchasing power nearer the pre-war level.

Congress appropriated $212,000,000 in 1938 and $225,000,000 in 1939 for this purpose. The amount of price adjustment money allocated to each of the commodities is determined by the amount by which farm income from the production of each commodity is below parity income. Payment to producers is made contingent upon compliance with provisions of the AAA program.

PARITY PRICE

Parity price for an agricultural commodity is defined in the AA Act as "that price . . . which will give to the commodity a purchasing power with respect to articles farmers buy equivalent to the purchasing power of such commodity in the base period" (except for tobacco, the base period is August 1909 to July 1914 or pre-war period; for tobacco, August 1919 to July 1929). Parity price also reflects the relationship of current interest rates, tax payments, and freight rates to those in the 1909–14 period.

PARITY INCOME

The Act also defines parity income as "that per capita net income of individuals on farms from farming operations that bears to the per capita net income of individuals not on farms the same relation as prevailed . . . from August 1909 to July 1914."

FARMERS ADMINISTER THE FARMERS' PROGRAM

The AA Act is an expression of national policy for solving farm problems. Its form was inspired by farm leaders, and in its enactment Congress recognized that the farmers themselves, aided by agricultural technicians, were the ones most qualified to plan and direct the program locally.

The AAA supplies a channel through which the demands, the experience, and the knowledge of farmers have flowed to contribute their part in the operation of the program.

Through the regional divisions, State committees, county agricultural conservation associations, and county and community committees, the national farm program is linked with the individual farms.

FARMER REPRESENTATION

The nucleus of local administration is the Community Committee of three farmers. Fellow farmers voting by secret ballot, elect these committeemen in annual elections.

Representatives of all communities in the county choose three farmers to serve as the County Committee. Its functions are to administer and adapt the national program to local needs.

To the State Committee, also composed of farmers, falls the responsibility of directing the program within the State so as to meet local conditions and serve the broad national interest.

DEMOCRATIC PROCEDURE

The program provides safeguards for agricultural and economic democracy. Marketing quotas must be approved in referendum by two-thirds of the producers affected; local administration is left to community and county committees, and the success of the program is the farmers' own responsibility.

THE CORN PROGRAM

Corn growers cooperating in the AAA Farm Program can take definite steps to stabilize market supplies and prices of corn by:

(1) Acreage adjustment.—The corn acreage allotments, which apply only in the commercial corn area, are established in such proportions as to make available enough corn, together with corn grown outside the commercial area and the corn carried over from previous crops, for needs in this country, exports, and a safe reserve supply.

Producers staying within their allotments are eligible to receive payments for cooperation. Producers unable to participate fully may earn part payment.

(2) Corn storage loans.—Loans are offered cooperating farmers to protect prices by holding surplus corn off the market until needed, and to establish an Ever-Normal Granary of supplies.

(3) Marketing and storage quotas.—When corn supplies rise to burdensome levels, marketing quotas may be voted by farmers to stabilize production and prices. The Act sets the marketing quota level at 10 percent above normal domestic consumption, exports, and carry-over.

(4) Soil-building practices.—Full benefit payments are possible only if cooperating farmers complete the full amount of soil-conserving practices necessary to reach their soil-building goal.

Ref.: 38-Corn-1; 38-Corn-3.

THE CORN LOAN PROGRAM

Corn loans constitute the keystone in the Ever-Normal Granary. They protect consumers from high prices in times of crop failure, and make it possible for farmers to avoid selling their corn on an overburdened market.

RATES BASED ON SUPPLY

Loans are offered cooperating farmers if the crop is greater than a normal year's home needs and exports, or if the farm price of corn falls below 75 percent of parity.

If marketing and storage quotas are in effect, loans are offered to cooperating farmers at the full rate; to noncooperators at a smaller (60 percent) rate, and only on the amount they are required to store.

The act forbids loans to either cooperators or noncooperators if marketing quotas are rejected in the producer referendum.

The corn loan rate depends upon the size of the current crop.

LIVESTOCK MEN BENEFIT

Livestock feeders also benefit from the corn loans and the Ever-Normal Granary. Carry-overs are made larger, and so supplies of feed become more stable and dependable.

Because alternating surpluses and shortages of corn are necessarily followed by increases and decreases in livestock numbers, an Ever-Normal Granary for corn is the necessary basis for stabilizing market supplies and prices of livestock and livestock products.

Ref.: 38–Corn–1; 38–Corn 3.

RESEALING AND STORAGE

In the fall of 1939 the third big corn crop in a row made it possible for the first time under AAA to create an effective Ever-Normal Granary. In previous years corn carry-over averaged about 7 percent of the current crop, compared to 30 percent for wheat in the years 1930–39. Even a 20-percent reserve of corn would last only 3 to 5 months for livestock feeding.

To obtain a more adequate reserve of corn in the Ever-Normal Granary, farmers were offered in July 1939, renewals of maturing loans on 257 million bushels of 1937 and 1938 corn. Farmers extending their loans retained title to their corn by arranging storage on their farms or in local elevators, and earned a storage payment of 7 cents per bushel for storing corn the additional 12 months. Approximately 150 million bushels of the 257 million bushels were resealed either on farms or in country warehouses.

Purchase of steel bins to store shelled corn delivered to Commodity Credit Corporation in payment of loans due August 1, 1939, provided needed expansion of storage space and brought nearer to fulfillment the plan of an Ever-Normal Granary in the country. Country storage in the steel bins near the farm or point of consumption also eliminates costs of movement to and from terminals.

Rates and amounts of corn loans

Year	Rate	Bushels under loan [1]
	Cents	
1933–34	45	271,000,000
1934–35	55	20,000,000
1935–36	45	30,777,000
1936–37	55	1,030,000
1937–38	50	47,000,000
1938	57	[2] 9,635,961
1938–39	57	[3] 227,491,634
1939	57	[4] 150,000,000

[1] Includes loans by both Commodity Credit Corporation and local agencies.
[2] Resealed corn.
[3] Reported on June 12, 1939.
[4] Estimated.

CORN EXPORTS AND IMPORTS

The United States is neither a principal exporter or importer of corn. Our export corn goes chiefly to Canada, little abroad. Heavy imports follow short domestic crops when high prices will defray transportation costs and tariff (25 cents a bushel) and leave something for foreign growers. In such years imports provide needed feedstuffs for livestock, dairy, and poultry farmers.

Second highest exports since 1900 occurred in 1937–38: 130 million bushels. Crop failures in Argentina boomed our exports, just as drought in the Corn Belt stimulated corn prices and imports into this country in 1935–37.

Corn: Imports and exports since 1920

Year beginning October	Imports of corn	Domestic exports [1]	Net exports	Net imports
	Bushels	*Bushels*	*Bushels*	*Bushels*
1920	1, 059, 246	115, 372, 567	114, 313, 321	
1921	104, 485	167, 806, 036	167, 701, 551	
1922	153, 836	63, 695, 411	63, 541, 575	
1923	2, 295, 223	21, 811, 439	19, 516, 216	
1924	2, 892, 483	10, 486, 314	7, 593, 831	
1925	356, 952	25, 423, 755	25, 066, 803	
1926	3, 749, 837	18, 008, 554	14, 340, 833	
1927	2, 939, 940	20, 223, 405	17, 619, 453	
1928	341, 807	41, 733, 784	41, 399, 109	
1929	845, 526	8, 963, 441	8, 119, 368	
1930	1, 386, 181	3, 119, 299	1, 733, 416	
1931	377, 468	4, 435, 720	4, 058, 252	
1932	172, 743	8, 885, 773	8, 713, 030	
1933	881, 973	4, 811, 640	3, 928, 415	
1934	36, 951, 682	1, 143, 017		35, 811, 633
1935	21, 089, 088	867, 102		20, 228, 442
1936	103, 643, 135	431, 679		103, 236, 828
1937	1, 809, 293	140, 202, 142	138, 382, 817	
1938	442, 286	34, 369, 321	33, 927, 035	
1939				

[1] Corn and meal in terms of grain.

Source: Compiled from Monthly Summary of Foreign Commerce.

DAIRYING AND THE FARM PROGRAM

Several phases of the Farm Program have materially helped dairy farmers.

STABILIZATION

Low grain and meat prices are the biggest threat to the dairy industry. They bring the grain farmer and livestock feeder into the dairy business.

Through stabilizing grain supplies and prices the AAA Conservation program helps protect dairymen from unnecessary expansion in dairying such as occurred in 1929–33.

MARKETING MEASURES

Stabilized conditions under which milk producers can market their product are the goal of milk-marketing agreements which affect approximately 1,200,000 dairy farmers. The milk-marketing agreements for fluid milk establish minimum prices for producers. These minimum prices, which milk distributors are required to pay, reflect feed prices and supplies and are consistent with the public interest in assuring an adequate and safe supply of wholesome milk for consumers.

DISEASE ERADICATION

More than 121,000,000 tests have been applied to cattle in nearly 10,000,000 herds, and 2,600,000 cattle have been removed from herds under Federal disease-eradication programs since 1934. Indemnity payments for diseased cattle total over $58,000,000.

DAIRYING—Continued

BUTTER LOAN PROGRAM

Through a Federal loan program for butter, the Dairy Products Marketing Association, an organization composed of eight regional marketing cooperatives organized under Government sponsorship, has been authorized to buy and store up to 25,000,000 pounds of butter during the 1939–40 fiscal year. The butter bought by the DPMA is to be available for later resale to the commercial trade, or to the Federal Surplus Commodities Corporation for relief distribution, at prices to cover at least the loan value of the butter, which includes the costs plus handling and carrying charges. Under the 1938–39 program, the DPMA bought 114,000,000 pounds of butter, most of which was sold to the FSCC or relief distribution.

SURPLUS BUYING

The butter loan program supplements and is coordinated with relief purchase programs which totalled approximately $72,000,000 for dairy products from October 1933 through June 1939, including about $38,000,000 for the 1938–39 fiscal year ending June 30.

The purposes of the loan program for butter, the product of about half of the commercial milk production in the United States, and of the surplus removal programs are to help improve returns to producers by encouraging a reasonable degree of market stability for dairy products, and to provide a means of getting part of the surpluses consumed by the unemployed and other needy families.

THE RANGE PROGRAM

The AAA range program seeks to conserve one of the nation's great natural resources as a means of obtaining:

(1) A more efficient and stable livestock production year after year.

(2) A steadier supply of meat for the nation's consumers.

(3) A steadier income for the range operator.

The range program means wise planning for improvement of individual ranches. Operators, county AAA committeemen, and qualified range technicians pool their knowledge and experience to work out a sound program.

An allowance, based on grazing capacity, is calculated for each ranch, and the operator may earn this allowance by carrying out a number of approved range conservation practices at specified rates.

DEFERRED GRAZING

The most important part of the program is that which deals with restoration of the range by giving the native grasses a chance to reseed naturally.

STOCK WATER DEVELOPMENT

Stock water development contributes to range conservation. It reduces trampling of the forage by livestock and causes a more even distribution of stock on the range.

EROSION CONTROL

Other practices help control erosion and increase vegetative cover by retarding run-off and making use of the available water.

WHY A WHEAT PROGRAM

Principal reasons for a wheat program are to protect the income of the wheat farmer and to conserve the soil. Domestic consumption and foreign demand for United States wheat limit the amount of wheat which farmers can expect to sell at a fair price.

STABLE CONSUMPTION

Consumption remains fairly stable.—Average annual per capita consumption of wheat as food for human beings for the 4-year period beginning July 1, 1925, was 4.3 bushels. This average decreased slightly to 3.9 bushels for the next 5-year period, 1929–33, and to 3.7 bushels for 1934–38. Total domestic consumption of wheat increases slightly when wheat prices are low in relation to other feeds and more wheat is fed to livestock.

LIMITED EXPORTS

World markets glutted.—After a record-breaking world production in 1938 and a crop nearly as large in 1939, the world 1939–40 supply of 5,429,000,000 bushels set a new all-time high record. The world has 5 bushels for every 4 bushels it needs. In 1938–39, surplus-producing countries had available for export a supply exceeding 900 million bushels while world import takings were only about 600 million bushels.

SURPLUS

Low prices.—Production has increased but consumption and export outlets have not. This situation means surpluses and low prices unless farmers cooperate to meet the problem.

Waste.—Production which creates price-depressing surpluses uses up soil fertility, a great natural resource which the Nation and the farmer cannot afford to waste.

FIRST YEAR OF THE WHEAT PROGRAM

Working together in a single year under the new wheat program, U. S. wheat farmers have made outstanding progress toward a workable policy. In the face of a depressed world wheat situation, U. S. wheat farmers during the last year improved their domestic supply situation, and domestic farm prices of wheat ranged from 25 to 35 cents a bushel above the normal relationship with world price.

Acreage.—U. S. farmers, recording a high percentage of compliance with 1939 acreage allotments, reduced seedings 19 percent under 1938. Of the 65 million acres seeded, an estimated 55 million acres were harvested.

Supply.—Production in 1939 was 755 million bushels. With a carry-over on July 1, 1939, of 254 million bushels, the 1939–40 domestic wheat supply was 1,009 million bushels, approximately 75 million bushels less than for 1938–39.

Exports.—Under the 1938–39 export program, the United States sold 118 million bushels for export, and of this 107 million bushels was actually exported by June 30, 1939.

Ever-normal granary.—Through the AAA, farmers have created an effective Ever-Normal Granary. The U. S. carry-over on July 1, 1939, was 254 million bushels, more than 100 million bushels greater than the average of the 1920's. About 85 million bushels were stored under 1938 loans. Of the 170,000 wheat growers who insured their 1939 crop about 30,000 growers collected indemnities of approximately 6,000,000 bushels.

Higher income.—The Liverpool price of wheat usually is well above the U. S. farm price. For example, in August 1938 the average U. S. farm price was 34 cents below the Liverpool price. In May 1939 both the U. S. farm price and Liverpool averaged about 63 cents. The spread had changed about 34 cents in favor of U. S. farmers.

But in addition to price benefits, wheat farmers who were AAA cooperators through the loan and parity and conservation payments, in 1939, were able to realize at least 80 to 90 cents a bushel.

WHEAT EXPORT PROGRAM

During the 1938–39 marketing season, the United States embarked upon a program to maintain our fair share of the world wheat market in face of growing competition for shrinking world markets. A new export program has been announced for 1939–40.

During 1938–39, the wheat part of the combined wheat and flour export program operated through purchases by the Federal Surplus Commodities Corporation in U. S. markets, and resale of the wheat to U. S. exporters at prices enabling exporters to sell in world markets.

The revised program for 1939–40 includes three methods for assisting exports. (1) The flour export plan is unchanged. Under it, definite export payments are made directly to U. S. exporters. (2) Authority to buy and resell wheat is continued for use in handling Commodity Credit Corporation loan wheat taken over by the FSCC. (3) Other wheat exports are assisted through direct payments to U. S. exporters under a bid-payment plan. This makes fuller use of normal channels of trade. Export payments are determined on basis of the differentials existing between the domestic wheat price and world prices and the cost of transportation to world markets. Consideration is also given such factors as class of wheat, port of exportation, and ocean freight differentials.

For 1938–39, exports sales of U. S. wheat and flour totaled approximately 118,054,000 bushels. Of this, about 107,000,000 bushels were exported by June 30. Of the total sales, about 93,754,000 bushels were assisted at a cost of about $25,700,000. Estimates indicate the export program, together with the wheat loan and adjustment programs, were factors in lifting the U. S. wheat price up to 35 cents above the normal world relationship.

The export program, made necessary by world conditions and policies of other wheat exporting nations, is not a "dumping" plan, but enables our exporters to sell wheat in world markets at world prices.

Ref.: U. S. D. A. press releases, July 18 and August 11, 1939.

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WHEAT EXPORTS AND IMPORTS

The United States wheat trade is on an export basis.

In the year closed June 30, 1939, the United States exported 107 million bushels of wheat (including grain and flour from United States wheat) and has a program for encouraging exports again in 1939–40.

EXPORTS RETURN

In only 4 years since the Constitution was signed has the United States been a net importer of wheat for human consumption. In 3 of these years, 1934, 1935, and 1936, wheat was imported because of small crops caused by drought and rust. But after the 1937 crop, we resumed our export position and sold 100 million bushels or more of United States wheat abroad in each of the 2 years. Although this was partially due, during 1938–39, to the wheat-export program, imports of wheat and flour for domestic use were 634,000 bushels in 1937–38 compared with 271,000 in 1938–39.

Practically no wheat is now being imported, either for human or livestock consumption.

For the 5 years (1928–29 to 1931–32) prior to the drought and rust years, the average annual imports of milling wheat and flour for domestic use were only 41,000 bushels.

IMPORTS PAY TARIFF

All wheat imported for human consumption pays a duty of 42 cents a bushel.

Wheat unfit for human consumption and imported for livestock feed pays a tariff of 5 percent of its money value.

Ref.: G–93.

WHEAT IMPORTS MEET BARRIERS

Virtually all governments have put up barriers against wheat imports as a means of aiding their wheat producers or conserving their small gold supplies. These measures in the principal importing countries in Europe include monopoly organizations and control of import trade, milling quotas, import quotas, import permits and licenses, and special taxes. The situation in some of the individual countries may be noted as follows:

United Kingdom.—Domestic production subsidized by high guaranteed prices. Renewed encouragement for further expansion has recently been announced with bonus given for plowing up grasslands. The British Government has also recently established full control over the grain trade and imports into the country.

Italy.—Government-fixed price, regulated sales, strictly controlled foreign trade, and an import duty equivalent to about 64 cents a bushel (August 1939).

Germany.—Fixed prices and price margins; compulsory delivery of all domestic wheat fit for human consumption; distilling and feeding restricted; strictly controlled foreign trade.

France.—National wheat board sets prices at a high level, controls imports and exports. Import duty equivalent to 69 cents a bushel (August 1939).

Netherlands.—Fixed prices and monopoly control, milling quotas and special taxes.

Sweden.—Import control, mixing regulations, import taxes (equivalent to about 32 cents per bushel) and an import duty equivalent to about 26 cents per bushel (September 1939).

Ref.: Foreign Agricultural Service, BAE.

WHAT OTHER WHEAT COUNTRIES DO FOR PRODUCERS

Taking the world as a whole, more farmers are dependent on wheat production for a living than on that of any other crop. Consequently, wheat has received first consideration in drafting agricultural relief measures. In virtually every country, whether it exports or imports wheat, some form of government assistance is designed to increase the price received by domestic producers.

Argentina.—Until recently the Grain Regulating Board has purchased wheat at minimum guaranteed prices established by the Government. Since the war those minimum prices have been discontinued.

Australia.—A Wheat Industry Assistance Scheme for maintaining the price of wheat sold for home consumption at a stabilized level has been in effect, together with measures for drought relief and for converting submarginal wheat lands to other uses. Since the outbreak of the war in Europe, the Commonwealth government has announced a new program whereby it will acquire control of the new crop and establish a compulsory wheat pool.

Canada.—Canadian Wheat Board buys from a producer up to 5,000 bushels of his 1939 crop at a fixed price (70 cents); all over 5,000 bushels grown by same producer in 1939 may be sold to cooperatives at somewhat lower fixed price (60 cents or the open market price). Thus growers are protected and cooperative marketing encouraged. Control of exports has also been announced as a war measure.

Danube Basin Countries.—Complete Government control of wheat exports. In these countries the most effective means of moving wheat into export has proved to be bilateral treaties or agreements with certain wheat importing countries of Europe.

Soviet Russia.—All trade in wheat is Government controlled.

Ref.: Foreign Agricultural Service.

CIGAR TOBACCO PROGRAM

About 55 percent of all cigar-leaf tobacco grown in the continental United States is produced in the Northeast Region. There are three major kinds of cigar-leaf tobacco: (1) Cigar wrapper tobacco comprising Type 61, Connecticut Valley Shade Grown; (2) cigar binder tobacco comprising Type 51, Connecticut Valley Broad Leaf, Type 52, Connecticut Valley Havana Seed, and Type 53, New York and Pennsylvania Havana Seed; (3) cigar filler tobacco comprising Type 41, Pennsylvania Seed Leaf grown in the Lancaster County area.

Cigar tobacco growers by participating in the AAA farm program can take definite steps to stabilize market supplies and prices of tobacco and to conserve their soil resources by:

Acreage adjustment.—Tobacco acreage allotments are established under the Agricultural Conservation Program each year and are designed to make available on the basis of the normal yield enough of each kind of tobacco which, added to the carry-over from previous years, will give a supply fully adequate to meet the needs of this country, reasonable exports, and a safe reserve. Growers who plant within their tobacco acreage allotments and otherwise comply with the provisions of the Agricultural Conservation Program can qualify for their full conservation payment. Producers unable to participate fully may earn part payment.

Connecticut Valley Shade Grown, Type 61, is not included in the acreage allotment program since the growers and handlers operate under a marketing agreement instituted in accordance with the provisions of the Agricultural Adjustment Act of 1933.

CIGAR TOBACCO PROGRAM—Continued

Marketing quotas.—When the total supply of cigar filler, Type 41, or all other filler and binder tobaccos combined, exceeds the quantity which could be reasonably expected to be marketed and exported during the next marketing year, plus a safe reserve, a quota is proclaimed, and the producers decide in a referendum whether they want to regulate marketings and thereby maintain or raise prices. A two-thirds majority vote is required to have quotas in effect. The act sets the marketing quota level at 5 percent above a normal supply. The quota, when in effect, will be on the basis of the actual production of the acreage allotments. To date the total supply of these tobaccos has not risen to such an extent that it has been necessary to proclaim a marketing quota.

Tobacco loans.—Loans may be offered to protect prices by holding surplus tobacco off the market until it is needed. Such loans have not been made on cigar-leaf tobacco except to a limited extent in southern Wisconsin.

Parity payments.—Parity payments may be made to producers planting within their acreage allotment when the prices received by all farmers growing cigar filler and binder tobaccos fall below 75 percent of parity. Parity payments have not been made on cigar-leaf tobacco as the average price has not fallen below 75 percent of parity since the passage of the act.

Soil-building practices.—Full benefit payments under the Agricultural Conservation Program are possible only if the cooperating farmers carry out sufficient soil-building practices on their farms to earn their soil-building allowances. In this way, farmers may conserve and improve their soil fertility.

THE VEGETABLE PROGRAM

A commercial vegetable program was initiated with the 1939 Agricultural Conservation Program to stabilize the acreage of commercial vegetables and thereby stabilize the incomes of vegetable growers at a reasonable level, and provide plenty of supplies at a fair price for consumers. A similar provision is included in the 1940 ACP.

Commercial area.—The Vegetable Program applies in counties or administrative areas for which the 1936–37 average acreage of commercial vegetables (other than potatoes, sweetpotatoes, cantaloups, and annual strawberries) is 200 acres or more. A county may be considered as a noncommercial vegetable county if the State Committee, with the approval of the AAA, determines that the distribution of commercial vegetables grown in the county is confined to small local markets, that there is no tendency toward acreage expansion within the county and that the elimination of the county would not jeopardize the effectiveness of the program.

Allotments and payments.—Commercial vegetable acreage allotments are established for eligible farms in commercial vegetable counties under the 1940 program. The allotments are made on the basis of the average acreage in commercial vegetables in 1936 and 1937 or the average of a later period adjusted to the 1936–37 level. They will be determined for farms on which an average of 3 or more acres of land are normally planted to commercial vegetables except in certain areas designated by the AAA where they will be determined for farms on which the average acreage is 1 or more.

Payments at the rate of $1.50 per acre are made to producers in commercial vegetable counties for keeping their acreages of commercial vegetables within their allotments and deductions of $20 are made for each acre of commercial vegetables planted in excess of vegetable acreage allotments, or on nonvegetable allotment farms in excess of 3 acres. Deductions will apply to each acre planted in excess of the minimum of 1 acre on nonvegetable allotment farms in special areas.

THE VEGETABLE PROGRAM—Continued

Practices.—Payments for soil-building practices, such as liming, mulching, plowing under green manure crops, or leaving cover crops on commercial vegetable lands, are also available to producers. The amount of payment to be earned by the use of these practices is limited by the total soil-building goal for each farm.

Home gardens.—An effort will be made in the 1940 program to encourage home gardens in areas where there is a deficiency of food grown for the farm family. Payment at the rate of $1.50 is provided for growing a garden on a farm in accordance with specifications issued by State Committees.

Vegetable marketing agreements.—To even out the flow of vegetables to market, particularly when large output brings the threat of destructive marketing and subsequent injury to consumers through reduced crops and high prices in following seasons, vegetable-marketing agreements are available to growers within a producing area. The industry, growers, and shippers, take the initiative in applying for and designing the program. After public hearings on the agreement, the producers in the area affected are given an opportunity to vote on the proposed program. If the agreement is signed by handlers of at least 50 percent of the volume of the commodity, and if the program is approved by two-thirds of the growers voting, by number or by volume of the commodity, the marketing-agreement program can be put into effect and is binding on all handlers of the commodity within the area.

Surplus removal.—Surplus buying by the Federal Surplus Commodities Corporation acts to bolster prices and prevent waste when unavoidable surpluses of vegetables occur. FSCC purchases are distributed through State welfare agencies to persons on relief. These operations supplement the efforts of farmers to improve selling conditions through marketing agreement programs or other means.

Ref.: ACP–1940; G. C. M.–3.

POTATOES UNDER THE AAA

Background.—The potato is the leading vegetable in the United States. The total crop averaged annually about 358 million bushels during 1921–30 and had an average farm value slightly under $359,000,000. Average production increased to about 380 million bushels during 1931–35 and the average farm value dropped to about $204,000,000. Prevailing demand is for from 360 to 370 million bushels annually. Fluctuations in acreage and yields have brought years of big crops and low prices, and in other years small crops and high grices. Consumers, however, did not obtain the full benefit of low producer prices since service charges are fixed by handlers. The production of a crop that will be fair to both consumer and producer is the problem of potato producers.

THE POTATO PROGRAM

The purpose of the potato goal and the acreage allotment in the AAA program is to stabilize potato production as much as possible by avoiding extremes of very high and low acreage.

The national potato goal is between 3,100,000 and 3,300,000 acres.

IN COMMERCIAL AREAS

Potato-acreage allotments are established for commercial producers in designated commercial potato-producing areas. Growers who plant within their 1940 allotments will earn payments of 3 cents a bushel on the normal yield of their allotments.

Ref.: ACP–1940; U. S. D. A. Technical Bulletin No. 7.

THE COTTON PROGRAM

Cooperators in the cotton program may work together to obtain their fair share of the national income, to increase domestic and foreign use of American cotton, to conserve and rebuild the soil, and to protect consumers by maintaining a stable and adequate flow of cotton to market. The program includes:

Acreage adjustment.—Each farmer's acreage allotment represents his share of a desirable national acreage. The national acreage allotted for 1938, 1939, and 1940 has resulted in a reduction of approximately 35 percent in the farmer's normal acreage.

Soil-building practices.—To improve soil fertility and prevent erosion.

Payments.—Soil-conservation payments assist farmers to meet the unavoidable costs of better land use and balancing supplies with demand; price adjustment payments bring cotton income closer to parity.

Marketing quotas.—When the market supply becomes excessive, quotas, if approved by producers, may be applied to help regulate the amount of cotton marketed. Producers who market in excess of their marketing quotas pay a penalty on the excess marketings.

Loans.—Cotton loans (not available when quotas are rejected) provide farmers with the means to withhold their cotton from market until prices are more favorable.

Export program.—Payments on exports of lint cotton and cotton goods are designed to restore the normal competitive position of American cotton in world markets and to assure the United States its fair share of export trade.

Use of surplus cotton.—In an effort to get more cotton used, the Government is trying to develop new uses and outlets.

THE NEED FOR A COTTON PROGRAM

The farm population is very dense in the Cotton Belt and one-third of all the farm people in the United States live on farms on which cotton is grown. This pressure of population for income has caused excessive acreages of cotton to be grown, and at the present time there are excessive supplies of cotton both in the United States and in the world. Normally, American cotton farmers have sold half or more than half of their crop on foreign markets in competition with foreign growers and at world prices, which have often been depressed. Since the World War it has become increasingly difficult to sell normal quantities of American cotton abroad.

In the Cotton Belt a high percentage of the cropland is devoted to soil-depleting, intertilled crops, resulting in large areas being eroded and depleted. The lack of universally adapted perennial or biennial legumes in the South makes it necessary to plant winter crops, in most cases with imported seed, and summer crops.

World stocks high.—World carry-over of American cotton reached an all-time high as of August 1939 when it was estimated at 14 million bales. Including 1939 production of 11.7 million bales, this indicated a total supply for 1939–40 of 25.8 million bales which is equal to 2 years use at the average rate of consumption for the 10-year period 1928–37.

Consumption low.—Despite the second highest domestic consumption in 10 years, world use of American cotton in the year 1938–39 was more than 10 percent below the 1928–37 average. Declining foreign purchases accounted for much of the loss. Increasing production of synthetic textiles and nationalistic trade policies abroad concern every American cotton producer through restriction of his markets.

THE COTTON EXPORT PROGRAM

A program to assure the United States its fair share of the world cotton markets was announced, effective July 27, 1939. Under the program payments would be made on exports of lint cotton produced in the United States and on exports of cotton goods produced and processed domestically. When announced, the program was described as a temporary plan intended to benefit the entire cotton industry and to reestablish the nation's position in world cotton markets. The export program makes use of the established system of trading, payments going to the exporter.

HOW IT WORKS

Under the program an exporter makes application for payment and furnishes proof of exportation of cotton or American-produced and processed cotton goods. He will be paid, if his claim is acceptable, at a specified rate per pound, net weight basis, of lint cotton exported, and at equivalent rates for cotton goods.

The rates of payment may be varied, if deemed advisable, in order to maintain our competitive position and offset price disparities. It was originally announced at 1½ cents a pound and subsequently has been reduced.

THE CONSUMER AND AAA

The city worker is more than a passive user of finished agricultural goods. He is a partner with the farmer in the country's business life. He takes farm goods, not just to eat and wear, but to process, distribute, and transport, and to combine with other materials to produce industrial goods.

NONFARM WORKER'S MATERIALS

Every nonfarm worker draws upon agriculture for two kinds of materials: One kind for immediate personal use and the other kind for use as raw material in his own employment.

HIS MARKETS

The nonfarm worker depends on agriculture as a market. From him the farmer buys machinery, fertilizer, transportation, building supplies, as well as newspapers, magazines, books, and motion pictures.

The consumer needs more from agriculture than just a supply of low-priced commodities. He needs the farmer as a customer.

The consumer has an interest in the farm as a going concern.

DOES AAA MEAN SCARCITY?

Farmers wonder why they of all people should be accused of scarcity.

INDUSTRY

From 1929 to 1934, for example, industry's "plow-up" of production was greater than that of agriculture. Factory production in industries using nonagricultural raw materials in 1934 had decreased 42 percent from the 1929 level. For the same period the volume of factory production using agricultural raw materials was down only 15 percent. Industry's "plow-up" of production in nonagricultural industries during the period was 27 percent greater than that of industries using agricultural products.

AGRICULTURE

In 1937 farmers' production of their 53 leading crops was 13 percent above the 1923–32 average and 7 percent greater than in the previous record-breaking year 1931. In 1938 it was 5 percent above the 1923–32 average.

The new Farm Act provides for nearly double the carry-overs of corn and wheat that have been customary in the past.

The farm program is one of balanced abundance and not a scarcity program.

Ref.: "Administered Price and Market Price," G–47; General Crop Report, December 1938.

THE FARM TENANT PROBLEM

Except in the Northeastern States, farmers in most parts of the country have been slowly losing ownership of the land for half a century. The 1880 Census showed 25 percent of the farmers of the United States were tenants; by 1935 this figure had increased to 42 percent. For the past 10 years the number of tenants has been increasing at the rate of 40,000 a year.

In addition, thousands of farmers who are owners insofar as title is concerned are as insecure as tenants because in some areas the farmers' equity is as low as one-fifth of the total value of farm real estate. In 1880 the equity of farm operators in farm real estate in the United States as a whole was about 62 percent of the value of all farm real estate. By 1930 the proportion had fallen to 41 percent, and by 1935 to 39 percent.

Increasing tenancy is closely associated with the problem of soil erosion and depletion. Renters who move frequently, as most renters do, plant a relatively high proportion of their farms to soil-depleting crops. The renter who moves frequently mines the soil; he has little interest in soil conservation.

BANKHEAD-JONES FARM TENANT ACT

In 1937, Congress recognized this problem by passing the Bankhead-Jones Farm Tenant Act. This act provides loans to help a limited number of competent tenants, sharecroppers, and farm laborers purchase their own land. Ten million dollars was appropriated for this purpose for the fiscal year beginning July 1, 1937, and 25 million dollars for the fiscal year beginning July 1, 1938. The Farm Security Administration is carrying out the program.

Funds have been allotted to each State and Territory on the basis of its farm population and prevalence of tenancy. Loans were made in 333 counties in 1937–38, and in 726 counties in 1938–39.

THE INTERDEPENDENCE OF AGRICULTURE AND INDUSTRY

The volume of industrial production and the purchasing power of consumers is "the other half of the farm problem."

Curtailment of factory production means unemployment for industrial workers and decreased demand for the things farmers produce. The farmer, forced to adjust expenditures to shrinking income, postpones purchase of farm equipment and repairs and so intensifies the adverse influences bearing on his income.

The farmer's market.—Three-fourths of farm income arises from the sale of food products, but the farmer does not get a constant share of the consumer's dollar. He benefits most when consumer income rises, just as he suffers most when city purchasing power falls.

About 65 percent of national income is paid in wages and salaries. Although city wage earners and lower-salaried workers spend about 35 percent of their income for food, total retail expenditures for food are only about 20 percent as great as all nonagricultural income.

Retail food sales.—The close relationship between consumer income and retail expenditures for food and the changing proportion of the retail food dollar which has gone to the farmer since 1929 are shown below:

Year	Nonagricultural income payments [1]	Retail food sales [2]	Ratio food sales to income	Farmers' percent of retail food dollar [3]
	Millions of dollars	*Millions of dollars*	*Percent*	
1929	73, 542	14, 887	20. 2	47
1930	68, 456	13, 857	20. 2	44
1931	59, 303	12, 066	20. 3	38
1932	46, 551	9, 623	20. 7	33
1933	43, 174	8, 973	20. 8	36
1934	49, 164	10, 002	20. 3	40
1935	52, 770	10, 830	20. 5	45
1936	61, 559	11, 644	18. 9	44
1937	65, 282	12, 163	18. 6	45
1938	60, 236	11, 526	19. 1	40

[1] Estimates based on U. S. Department of Commerce income and retail sales data.
[2] Based on Bureau of Census and Bureau of Domestic and Foreign Commerce data.
[3] Based on BAE studies covering 58 foods. Adjusted in 1933–35 to include processing taxes.

Source: P. H. Bollinger in *The Agricultural Situation*, December 1937.

FARM-MORTGAGE DEBT DECLINES

The total farm-mortgage debt of approximately 7 billion dollars outstanding on January 1, 1939, was 27.5 percent below the total for January 1, 1929, and about 34 percent below the peak of about 10.8 billion dollars reached in 1922–23. The farm-mortgage debt now stands at a level approximately equal to that in 1918. The decrease has been general throughout the United States with the exception of the New England Region.

FEWER FORECLOSURES SINCE 1933

Since 1933, the number of forced farm sales has declined substantially. This decline has applied to each of the nine geographic regions.

During the 12 months ending March 15, 1933, there were 54.1 such sales per thousand farms. By the year ending March 15, 1939, this had dropped to 16.8 per thousand farms.

FARM BANKRUPTCIES DOWN

The number of farm bankruptcies in the United States in the year ending June 30, 1938, was only about 30 percent of the total for the year ending June 30, 1933. The decline was from 5,917 to 1,799.

(See next page for detailed figures by years and geographic divisions.)

Ref.: Agricultural Finance Review, November 1939 and BAE reports.

Estimated number of forced farm sales [1] per 1,000 of all farms, 12 months ended Mar. 15, 1933–39

	1933	1934	1935	1936	1937	1938	1939
United States	54.1	39.1	28.3	26.2	22.4	17.4	16.8
New England	19.8	20.1	18.9	16.8	14.4	13.3	12.7
Middle Atlantic	28.3	26.2	23.9	21.6	16.5	14.1	13.5
East North Central	43.9	32.0	23.5	22.1	19.0	13.5	13.5
West North Central	72.0	50.9	40.6	38.0	31.7	27.0	26.9
South Atlantic	59.5	40.7	24.5	21.3	17.6	13.6	13.4
East South Central	63.5	44.9	30.6	26.9	22.4	14.0	12.4
West South Central	51.2	34.3	22.9	22.0	20.2	16.5	15.5
Mountain	52.8	44.1	35.7	36.0	33.4	27.3	24.2
Pacific	44.1	37.1	24.6	25.8	23.1	19.1	17.5

[1] Includes sales from delinquent taxes, foreclosures of mortgages, bankruptcies, loss of title by default of contract, sales to avoid foreclosure, and surrender of titles or other transfer to avoid foreclosure.

Farmer bankruptcies, years ended June 30, 1933–38

	1933	1934	1935	1936	1937	1938
United States	5,917	4,716	4,311	3,642	2,479	1,799
New England	164	171	123	108	139	84
Middle Atlantic	514	420	457	313	228	208
East North Central	2,020	1,384	1,055	1,045	574	419
West North Central	1,277	983	877	837	454	324
South Atlantic	601	699	735	442	339	270
East South Central	494	399	431	346	259	125
West South Central	371	329	307	278	189	147
Mountain	167	131	101	69	73	67
Pacific	309	200	225	204	224	155

Estimated farm mortgage indebtedness, Jan. 1, 1929, 1932, 1936, 1939, by regions

[Thousands of dollars]

	1929	1932	1936	1939
United States	9,756,559	9,214,004	7,638,867	7,070,896
New England	162,858	184,500	177,571	186,574
Middle Atlantic	472,613	469,020	411,207	400,681
East North Central	1,917,596	1,757,767	1,517,589	1,409,046
West North Central	3,734,571	3,342,008	2,610,766	2,290,887
South Atlantic	546,157	465,927	418,166	397,024
East South Central	439,773	401,762	348,800	340,396
West South Central	1,091,781	1,081,423	906,683	831,806
Mountain	551,371	577,436	476,788	445,915
Pacific	839,839	934,161	771,297	768,567

FARM INCOME

From a 15-year peak of slightly over 11 billion dollars in 1929, cash farm income in the United States dropped to about 4½ billion in 1932.

In 1933, when Agricultural Adjustment Act benefit payments were paid during the last 5 months, the farm income climbed back to more than 5 billion dollars, and continued its climb to more than 9 billion in 1937, slightly above the 1930 total.

For 1938, cash farm income dropped to about 8 billion dollars and then rose to about 8½ billion in 1939. The 1939 level was 6.5 percent less than in 1937, but 82 percent more than in 1932.

In 1939 farm purchasing power was 4 percent higher than in 1926. At the low point in 1932 farm purchasing power was only 64 percent of the 1926 level.

Following are yearly totals of farm cash income since 1926, including Government payments for the years 1933–39, and indices of prices paid by farmers and of farm purchasing power:

Year	Farm cash income [1] (millions of dollars)	Index of prices paid by farmers [2] (Aug. 1909–July 1914=100)	Index of farm purchasing power [3] (1926=100)
1926	10, 529	155	100
1927	10, 699	153	103
1928	11, 024	155	105
1929	11, 221	153	108
1930	8, 883	145	90
1931	6, 283	124	75
1932	4, 682	107	64
1933	5, 409	109	73
1934	6, 720	123	80
1935	7, 542	125	89
1936	8, 499	124	101
1937	9, 111	130	103
1938 [4]	8, 081	122	98
1939 [4]	8, 518	121	104

[1] Cash income from farm marketings, including Government payments beginning in 1933.

[2] For commodities used in living and production.

[3] Farm cash income divided by the index of prices paid by farmers and the result expressed as a percent of 1926.

[4] Preliminary.

MORE ACRES THAN MARKETS

From 280 to 285 million acres are required annually to feed the American people. This varies little from year to year. Almost as much land was required to supply the American table in the depth of the depression as at the height of prosperity.

About 20 to 25 million acres more are required annually for nonfood products such as cotton, tobacco, and flax.

It is estimated that 25 to 35 million acres will supply all the products which can be exported during the next few years.

30 MILLION ACRES

Altogether, markets can be found for the products of about 335 million acres of average land. However, the United States has 360 to 365 million acres from which crops are normally harvested. This means the American farmer has roughly 30 million surplus acres for products without markets.

ACRES GAIN; MARKETS SHRINK

Some of these problem acres are a hold-over from the World War when the harvested acreage jumped from 320 million acres to about 360 million acres, an increase of 40 million acres. Although a growing population has increased domestic consumption since the early 1920's, other factors such as increased efficiency have offset much of this gain. The shift from horses and mules to tractors and automobiles has lost the farmer the market for feed from about 35 million acres. Another factor has been the shrinking world wheat markets.

RELATED FARM AGENCIES

FSA (Farm Security Administration) was created to help needy and low-income farm families through loans of various types to become self-supporting. Loans are accompanied by guidance in sound farming methods to make sure that money is used to the best advantage. Types of help offered:

Standard rehabilitation loans, emergency rehabilitation loans, community service loans, medical aid loans, tenant purchase loans, farm debt adjustment, tenure improvement, homesteads projects, camps for migrant families, and grants for urgent necessities.

FCA (Farm Credit Administration)[1] and the institutions operating under its direction provide a complete and coordinated credit system for agriculture by making available to farmers long-term and short-term credit, through local National Farm Loan Associations and Production Credit Associations. It also provides credit facilities for farmers' cooperative marketing, purchasing, and business service organizations.

SCS (Soil Conservation Service) has charge of physical land use adjustment programs—erosion control, the farm part of flood control, the water-facilities program—submarginal land purchase and development, and farm forestry. It furthers soil conservation through (1) assistance to local soil conservation districts, (2) demonstration projects, (3) research and investigation, and (4) dissemination of information.

REA (Rural Electrification Administration)[1] was organized to facilitate the introduction of electric service to persons in rural areas not served previously and to promote greater use of electric power. It makes loans for electric distribution systems and for wiring, appliances, and plumbing to local cooperative associations of users.

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[1] Transferred to the U. S. Department of Agriculture by Executive order under provisions of the Reorganization Act of 1939.

Ref.: U. S. Government Manual and the agencies listed.

WILDLIFE CONSERVATION AND THE AAA

The conservation of soil, water, and trees is stressed in the national AAA farm program. In wildlife conservation, these same practices are of primary importance. Crops that provide feed and cover and protect the soil from erosion are essential practices in conserving and increasing birds and game. By retarding water run-off and lessening soil erosion, these crops are also of importance in improving stream conditions for fish and other forms of water life.

More land under cover.—Under the AAA program, more than 40 million acres have been shifted from soil-depleting crops into legumes and grasses. Altogether, more than 50 million acres, or nearly one-sixth of our farm land, are devoted each year to soil-conserving crops and practices. Of this, about 30 million acres consist of new and additional seedings of legumes and grass primarily for pasture, meadow, and soil conserving purposes. The remaining 20 million acres are devoted to such practices as terracing, strip-cropping, planting adapted trees, shrubs and grass in gullies, planting farm woodlots and windbreaks, and where needed, the construction of ponds and reservoirs and the maintenance of ground water levels.

Food and cover for wildlife.—All of these practices contribute directly to wildlife conservation by increasing the crops and trees which wildlife needs for food and cover throughout the year.

Under the AAA range program, the restoration and protection of range forage is encouraged, and more than 20,000 ponds and reservoirs have been created in the dry areas of the range country. These ponds extend from Canada to Mexico and provide fresh water feeding and resting ponds for wild ducks and other birds in their migratory flights, as well as water holes for native wildlife.

The present basic program of soil, water, and tree conservation is contributing toward the conservation and increase of wildlife in America.

WAR AND THE AAA

"For six and a half years the AAA has been used by farmers through one emergency after another. We have had surpluses, droughts, Supreme Court decisions, and surpluses again. And now we have war.

"No one is able to gage accurately what lies ahead. Our natural impulse, of course, has been to look back to 1914 and to see what happened then and in the years that followed. But 1939 is not 1914. Situations today are far different.

"I think that most farmers feel that the safest thing to do is to stay with the AAA farm program. It provides the machinery for adjusting the production of major crops as quickly as necessary to any changes in demand which may occur.

Ever-Normal Granary.—"The Ever-Normal Granary is designed for peace time, but it is especially useful in a world at war. Today in the disaster of war, farmers are more able to take advantage of the Ever-Normal Granary, and . . it is a great safeguard to the consumer.

Conservation.—"In this present situation, farmers need to hold the very substantial gains they have made in soil-conservation and soil-building during the last few years. More than any other thing, soil conservation accomplishments are a net gain to our national productive capacity and to our national farm plant.

The problems of peace.—"After the present war is concluded we know that farmers will face once more the problem of finding a market for the export crops produced in this country. We know that farmers will face once more the problem of adjusting acreage. We know that farmers will continue to face the problem of maintaining fair prices and income just as they did after the last war. After the last war, farmers were left to go it alone. This time they will have the machinery of the AAA to cushion the shocks . . . In the AAA farmers are ready for both the immediate problems and the problems that will arise after this war is ended."—*Excerpts from address by R. M. Evans, Administrator, of the AAA.*

Agricultural conservation payments paid or to be paid under the 1936, 1937, and 1938 agricultural conservation programs

State	1936 program [1] as of June 30, 1937	1937 program [1] as of June 30, 1938	1938 program [1] as of June 30, 1939
Alabama	$10, 928, 248. 82	$8, 767, 724. 00	$17, 466, 056. 87
Arizona	1, 143, 609. 11	1, 176, 143. 00	2, 583, 207. 30
Arkansas	10, 313, 820. 40	9, 585, 782. 00	17, 535, 855. 95
California	4, 257, 754. 65	5, 995, 145. 00	7, 674, 636. 87
Colorado	5, 216, 021. 03	5, 754, 401. 00	4, 712, 802. 98
Connecticut	378, 099. 33	335, 393. 00	450, 793. 77
Delaware	328, 940. 16	463, 621. 00	588, 820. 62
Florida	1, 415, 020. 60	1, 694, 961. 00	3, 004. 459. 10
Georgia	11, 537, 194. 21	9, 432, 911. 00	17, 702, 168. 34
Idaho	2, 894, 740. 18	1, 944, 679. 00	2, 492, 312. 98
Illinois	16, 744, 762. 70	9, 001, 497. 00	18, 594, 058. 79
Indiana	10, 578, 143. 24	6, 430, 213. 00	10, 578, 498. 80
Iowa	28, 181, 006. 55	18, 208, 669. 00	28, 210, 792. 44
Kansas	19, 429, 694. 73	15, 346, 865. 00	15, 775, 600. 42
Kentucky	11. 322, 882. 90	11, 027, 580. 00	9, 831, 713. 80
Louisiana	7, 605, 663. 96	6, 687, 980. 00	10, 365, 360. 66
Maine	346, 485. 71	854, 263. 00	1, 934, 360. 76
Maryland	1, 441, 029. 34	1, 429, 554. 00	1, 676, 486. 31
Massachusetts	216, 769. 92	367, 293. 00	447, 509. 01
Michigan	7, 095, 651. 91	6, 252, 307. 00	6, 631, 058. 28
Minnesota	18, 334, 361. 99	13, 920, 306. 00	15, 918, 082. 56
Mississippi	11, 453, 542. 86	10, 125, 587. 00	21, 727, 060. 69
Missouri	13, 045, 675. 30	10, 556, 724. 00	13, 059, 604. 97
Montana	7, 022, 384. 53	7, 629, 122. 00	6, 814, 241. 72
Nebraska	15, 534, 620. 99	11, 436, 597. 00	13, 259, 027. 40
Nevada	148, 796. 62	165, 687. 00	127, 063. 71
New Hampshire	105, 549. 34	192, 435. 00	202, 715. 57
New Jersey	338, 846. 30	925, 799. 00	1, 200, 496. 32
New Mexico	3, 070, 201. 21	2, 791, 041. 00	3, 203, 272. 42
New York	3, 004, 640. 37	3, 850, 079. 00	3, 413, 140. 42
North Carolina	12, 486, 486. 04	9, 710, 780. 00	14, 342, 904. 05
North Dakota	21, 454, 885. 13	13, 935, 423. 00	17, 266, 293. 60
Ohio	9, 785, 891. 06	6, 395, 981. 00	9, 084, 472. 41
Oklahoma	14, 578, 074. 62	13, 471, 164. 00	17, 498, 075. 59
Oregon	1, 958, 239. 64	2, 450, 303. 00	3, 183, 644. 02
Pennsylvania	2, 940, 431. 17	3, 266, 973. 00	3, 748, 872. 56
Rhode Island	9, 942. 81	28, 482. 00	37, 191. 56
South Carolina	7, 968, 911. 18	5, 959, 753. 00	12, 167, 031. 98
South Dakota	15, 944, 933. 62	13, 819, 944. 00	14, 013, 684. 52
Tennessee	8, 733, 082. 10	7, 975, 558. 00	11, 229, 423. 58
Texas	36, 995, 270. 99	35, 817, 168. 00	63, 354, 552. 91
Utah	1, 094, 699. 84	962, 664. 00	677, 774. 60
Vermont	306, 106. 21	448, 355. 00	547, 008. 77
Virginia	3, 338, 796. 91	3, 793, 732. 00	4, 601, 385. 29
Washington	2, 564, 739. 42	1, 820, 208. 00	3, 635, 592. 25
West Virginia	693, 060. 86	1, 242, 766. 00	1, 322, 144. 05
Wisconsin	11, 875, 090. 05	8, 254, 876. 00	9, 791, 914. 78
Wyoming	1, 296, 348. 94	1, 702, 315. 00	1, 625, 558. 58
Alaska	5, 000. 00	2, 600. 00	1, 050. 00
Hawaii	600, 000. 00	760, 000. 00	101, 000. 00
Puerto Rico	1, 750, 000. 00	1, 400, 000. 00	1, 720, 000. 00
Total	379, 814, 149. 55	315, 569, 403. 00	447, 130, 834. 93

[1] Includes county association expenses applicable to the program.

THE STAMP PLAN

The stamp plan of surplus commodity distribution through regular retail channels supplants, in a number of cities and counties, the distribution of such commodities by direct distribution to families on relief. Under the plan, foods designated by the Department of Agriculture as being produced in surplus quantities are distributed to needy families through regular retail grocery stores.

The stamp plan is so named because orange and blue stamps are the medium of exchange in making commodity purchases. Any person eligible for public assistance may obtain orange stamps in place of an equivalent amount of cash WPA wage or relief payment. These stamps have a retail value of 25 cents each and are accepted in exchange for food at retail food stores.

With each two orange stamps, the applicant receives a blue stamp, also valued at 25 cents, which may be used to buy only surplus farm products. This gives the recipient extra purchasing power. The stamps are redeemable from Federal Surplus Commodity Corporation funds. In order that the recipient may not substitute surplus commodities for regular food purchases, he is permitted to buy not less than $1 in orange stamps weekly for each member of his family. This provides $1.50 per week per person for food purchases. Larger amounts may be purchased.

In the first three and a half months after inauguration of the plan at Rochester, N. Y., on May 16, 1939, studies indicate these advantages: food sales in cities using the plan tend to increase beyond the amount represented by blue stamp purchases, giving farmers a broader market for their surpluses; the increased volume of trade in groceries tends to stimulate many other types of retail sales; persons on relief appear to like buying surplus commodities through regular grocery stores, since participation in the plan, which is voluntary, has tended to increase steadily; needy persons who have participated in the plan are getting not only a more adequate diet but apparently in most cases a better balanced diet.

MATERIALS IN LIEU OF CASH PAYMENTS

In lieu of cash payments made to farmers for carrying out soil-building practices and planting within acreage allotments, materials such as lime and superphosphate are available to farmers in some sections for use in carrying out practices under the conservation phase of the AAA program. The cost of the materials furnished is deducted from payments which farmers would otherwise receive under the program. The plan is voluntary.

PROJECT STARTED IN 1937

The project was first put in effect in 1937 when the Department entered into an agreement with the Tennessee Valley Authority whereby triple superphosphate was furnished to farmers by the AAA in place of cash payments. In 1938 and 1939 large purchases were also made from commercial sources. Liming materials were added to the project in 1938.

In the Northeast the project started in 1938 with both lime and superphosphate being furnished in several States. It was continued in 1939 on a much larger scale and will be available in 1940 over most of the region.

Under this plan farmers who might otherwise lack the capital to purchase these materials have an opportunity to obtain such soil-building fertilizers. Where the supplied-materials program has been adopted, there have been heavy increases in the amount of such materials used. For example, in New Hampshire more ground limestone was furnished in 1939 than had ever been used in the State in any previous year. In Vermont ten times as much superphosphate was furnished in 1939 as was used by all the farmers in the State in any year prior to the AAA program. In both these examples the amounts furnished were in addition to what the farmers bought themselves.

Distribution of Materials Under 1938 and 1939 Agricultural Conservation Programs

	Superphosphate		Liming materials	
	1938 [1]	1939 [2]	1938	1939
East Central	*Tons*	*Tons*	*Tons*	*Tons*
Kentucky	33, 263	37, 968	--------	30, 352
Maryland	44	103	--------	--------
North Carolina	1, 027	3, 514	11, 965	108, 464
Tennessee	11, 095	18, 176	2, 972	92, 269
Virginia	3, 637	16, 195	4, 945	64, 789
West Virginia	7, 705	16, 488	1, 120	47, 027
Total	56, 771	92, 444	21, 002	342, 901
Northeast				
Connecticut	279	769	2, 232	21, 000
Maine	1, 428	4, 308	10, 982	27, 752
Massachusetts	--------	1, 785	--------	15, 450
New Hampshire	779	4, 108	963	16, 140
Pennsylvania	301	7, 023	2, 937	32, 710
Rhode Island	--------	206	--------	2, 770
Vermont	5, 175	12, 626	--------	20, 535
New York	--------	--------	--------	107, 500
Total	7, 962	30, 825	17, 114	243, 857
North Central				
Indiana	--------	224	--------	--------
Ohio	--------	393	--------	--------
Total	--------	617	--------	--------
Southern				
Alabama	1, 786	4, 208	--------	25, 763
Arkansas	269	5, 701	--------	1, 897
Georgia	67	192	--------	10, 052
Louisiana	--------	22	--------	--------
Mississippi	--------	462	--------	131
Oklahoma	61	127	--------	--------
South Carolina	--------	26	--------	57, 913
Texas	31	29	--------	--------
Total	2, 214	10, 767	--------	95, 756
Western				
Oregon	--------	2, 444	--------	--------
Washington	--------	1, 675	--------	--------
Total	--------	4, 119	--------	--------
Grand total	66, 947	138, 772	38, 116	682, 514

[1] Containing approximately 47% P_2O_5.
[2] Containing approximately 47% P_2O_5. (Including equivalent of approximately 37,000 tons of 20% material.)

LOSSES THROUGH EROSION

Fifty million acres destroyed to date through erosion; 50 million more acres seriously damaged; 100 million more acres impaired; 100 million more acres on which erosion has begun.

When the Mississippi River is at flood stage, soil material equivalent to the entire amount of topsoil on an average 40-acre farm flows by the gaging station every single minute.

Annual soil losses by washing and blowing, estimated at 3 million tons, would cover about 18 million acres an inch deep.

In fertile Illinois, boring tests made 10 years ago by Arthur J. Mason indicated that 4 inches of rich topsoil, or half the total, had vanished in about 50 years.

Nature requires from 400 to 1,000 years to replace an inch of topsoil.

The annual loss of soil fertility through erosion and leaching is estimated to be 7 times the amount used by crops and approximately 60 times the amount of principal plant food constituents restored to the soil in a normal year by farmers who use commercial fertilizer.

In the Northeast, the problem of erosion is not an acute problem. However, it is an important problem in certain areas within the region.

POPULATION CHANGES

In the long-time outlook for American consumption of farm products, one of the most important factors is the population prospect, in which, with immigration negligible, the controlling influence is the number of births. Since 1924 the decline in births has been almost continuous. Each year since 1930 the enrollment in the first grade of the public schools has declined about 100,000. The crest of the Nation's population will probably be reached by the 1950's or 1960's. Fifty years from now, according to present indications, the population will be declining and will contain a much larger proportion of middle-aged and old people than it does at present.

This change in the average age will no doubt first reduce the consumption of milk since children consume more milk per capita than adults. On the other hand, the domestic demand for cereals and meats may increase, even after the population begins to decline. Eventually, however, the expected decline in population will cause a decline in the domestic consumption of farm products.

Meanwhile, population trends in other countries will affect our exports. In European countries that formerly took most of our food exports, the population is almost stationary and will probably decline. Should the export demand decline, or if mechanization continues to supplant horses and mules, or if technological improvement continues, no increase in cropland may be necessary before the Nation's population becomes stationary.

EQUALIZATION FEE PLAN

[McNary-Haugen bills of 1924, 1927, and 1928]

The exportation of agricultural surpluses to be sold at world prices, meanwhile allowing prices on the portion consumed in the domestic market to rise behind the tariff wall, is a plan characteristic of many of the price-raising proposals which have been suggested for the benefit of agriculture since the early 1920's.

DUMPING SURPLUSES

The first widely known proposals embodying this idea were the original McNary-Haugen bill of 1924 and the vetoed bills of 1927 and 1928. The method in all three of these bills was essentially to dispose of surpluses abroad for whatever price they would bring, losses to be met through the collection of an equalization fee levied against the product.

DEPENDENT ON EXPORTS

The equalization fee plan was based upon the concept of a rather steady export outlet for American farm products. It was believed that this outlet would absorb surpluses in reasonably large quantities and at fairly satisfactory prices, so that lower export prices would be more than offset by increased prices on the domestic market

Ref.: Facts Series No. 23, Ohio University.

EXPORT DEBENTURE PLAN

[McKinley-Adkins bill, 1926—Jones-Ketcham bill, 1928]

This plan also proposed to raise farm prices by disposing of surpluses abroad. Conducted behind a tariff wall and paying an export bounty, the plan sought to induce the surplus to move out of the country and thus make the domestic price rise by an amount equal to the export bounty.

USED TARIFF REVENUE

It differed from the equalization fee plan in that it provided for the use of tariff revenue to pay export subsidies on the surpluses. In other words, losses incurred in moving surpluses to the foreign market would have been made up out of import revenues intercepted just before they reached the Federal Treasury, rather than through the equalization fee tax on the product.

The special device from which the plan took its name was the payment of these subsidies with debentures rather than with cash. The debentures were to be acceptable in the payment of customs duties. The rate of subsidy was to be made flexible—that is, the larger the surplus the smaller the subsidy—as a provision to curb overproduction.

TO RAISE DOMESTIC PRICES

It was believed that the volume of exports would increase ultimately to the point of freeing domestic markets from the weight of the surplus and thus the domestic prices would be raised above the world price by the amount of the tariff—this also being the amount of the subsidy.

Ref.: Facts Series No. 23, Ohio University.

FEDERAL FARM BOARD

[Agricultural Marketing Act of 1929]

The Agricultural Marketing Act of 1929 provided essentially for a marketing approach to the farm problem. It set up the Federal Farm Board as the instrument to carry out the Act. It encouraged cooperatives in an effort to bring about more orderly marketing on a nation-wide scale.

LOANS AND PURCHASES

With the drastic price declines late in 1929, the Board undertook a program of price stabilization, first, by making loans to cooperatives to enable them to hold their products off the market and, later, by the organization of stabilization corporations and large-scale purchase of cotton and wheat. The plan did not provide for any direct control over production.

TO STABILIZE SELLING

The 1929 Act was based upon the concept that the farm problem is primarily one of wasteful individualized selling, which could be corrected by encouraging cooperative marketing. It aimed to stabilize farm prices by a distinctive program in the field of marketing rather than production.

Ref.: Facts Series No. 23, Ohio University.

DOMESTIC ALLOTMENT PLAN

[Hope-Norbeck Bills, 1932]

The Domestic Allotment Plan originally proposed a system of certificates enabling producers to sell on the domestic market—at protected prices—that portion of the crop normally consumed in this country. The surplus was to be exported without subsidy. In later form it also provided for some production control, with benefit payments paid on the domestic allotment out of the proceeds of a processing tax. That was one of the methods used in the Agricultural Adjustment Act of 1933 which was later invalidated.

PRODUCTION ADJUSTMENT CONSIDERED

This plan reflected a growing doubt as to the possibility of exporting unlimited quantities of farm products, and an increasing belief that in some way an attempt should be made to regulate production. The plan sought to make the individual farmer conscious of his share of the surplus and to improve prices by limiting the quantity available to the domestic market and discouraging increased production for export.

Ref.: Facts Series No. 23, Ohio University.

AGRICULTURAL ADJUSTMENT ACT OF 1933

The Agricultural Adjustment Act of 1933 provided for adjusted production of seven major commodities which were considered as being produced in surplus quantities—wheat, corn, cotton, hogs, rice, tobacco, and dairy products. Benefit payments were derived from processing taxes and paid on a voluntary reduction contract between the Government and each cooperating producer.

MARKETING CONTROL

The "Thomas Amendment" to this Act was the legislation under which the dollar was devalued—a price-raising expedient advocated in many quarters. The Bankhead and Kerr Acts, controlling the marketings of cotton and tobacco, were also eventually authorized under the 1933 Act.

The 1933 Act included features drawn from several of the earlier proposals. It provided for domestic allotments, expansion of markets, encouragement of exports, and regulation of marketing methods, all of which had been included in one or more of the previous plans.

REDUCED EXPORT OUTLET

This plan, however, approached the farm problem as one primarily of disposing of existing surpluses in the face of reduced export outlets. The belief was that this could be done only if production were checked and furthermore that producers would do this cooperatively under the inducement of benefit payments. It was also believed that consumers would pay parity prices for farm products in the domestic market.

Ref.: Facts Series No. 23, Ohio University.

SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT OF 1936

During 1934 and 1935 sentiment was growing to place more emphasis on soil conservation in the national farm program. With the invalidation of the Act of 1933 this became the underlying principle of the Soil Conservation and Domestic Allotment Act of 1936. That Act is still in operation, in a strengthened and amended form complemented by the Agricultural Adjustment Act of 1938.

LIMITED ADJUSTMENT

Under this Act benefit payments are made to producers out of general treasury funds for shifting from such "soil-depleting" crops as cotton, corn, wheat, tobacco, and rice to such "soil-conserving" crops as grasses and legumes and for carrying out certain "soil-building practices." This Act provided for only limited production adjustment.

BASED ON CONSERVATION

The Soil Conservation and Domestic Allotment Act was enacted on the following assumptions: (1) That the continued welfare of the Nation requires that soil resources be conserved; (2) that soil fertility is wasted if crops are produced in excess of effective domestic and export demand; (3) that it is cheaper to expend Government funds for prevention of depletion than to try to restore fertility after it has been wasted.

Ref.: Facts Series No. 23, Ohio University.

AGRICULTURAL ADJUSTMENT ACT OF 1938

The Agricultural Adjustment Act of 1938 became a law in February 1938, complementing the Soil Conservation and Domestic Allotment Act of 1936 and providing for:

(1) Conservation payments to producers who adjust the acreage of their soil-depleting crops as prescribed in the allotments and carry out soil-building practices; (2) parity or price adjustment payments to producers of corn, wheat, cotton, tobacco, and rice who do not overplant their allotments; (3) commodity loans to cooperators; (4) marketing control of surpluses when approved by two-thirds of the producers voting; (5) freight rate investigation and study; (6) Federal crop insurance on wheat; (7) purchases of farm surpluses for relief distribution; (8) market expansion through research on new uses for farm products; and (9) funds to subsidize the export of farm surpluses.

RECOGNIZES DECREASED OUTLETS

The plan embodied in the 1938 Act was adopted in the belief the farm problem is in large part one of adjusting existing producing facilities to decreased outlets for export products.

The general thesis underlying this program is (1) that efforts should be made to expand markets and develop new uses for farm products but that progress will be slow in that direction; (2) that export outlets are for the present definitely limited; (3) that one essential for reasonable farm income is balance between production and market demand; (4) that production adjustment needs to be accompanied by an ever-normal granary; (5) that a program of commodity loans and parity payments is helpful only under the condition that it does not lead to further surplus production.

Ref.: Facts Series No. 23, Ohio University.

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